

J. W. Anderson

Two Banks, Blended Scandal

Two great international banking scandals, known by the initials BNL and BCCI, hang over the Washington landscape. It's now clear that the two are connected. What's not clear is the motive for the conspiracy that tied them together.

BNL, the Banca Nazionale del Lavoro, is the Italian government-owned bank that was lending heavily to Iraq through its Atlanta branch until the FBI raided it three years ago.

BCCI, the Bank of Credit and Commerce International, was a very different operation—essentially a criminal enterprise on a worldwide scale, embezzling depositors' money, bribing public officials lavishly in many countries and, among other things, laundering drug money.

But, heavily dependent on Sheikh Zayed of Abu Dhabi, BCCI also responded to the gulf Arabs' political interests—chief of which, in the mid-1980s, was supporting Iraq against Iran and the threat of Shiite revolution.

The connection between the two banks is cited by Sens. John F. Kerry (D-Mass.) and Hank Brown (R-Colo.) in their report six weeks ago to the Foreign Relations Committee.

BCCI lent heavily to BNL, supplying some of the funds that BNL then lent to Iraq. According to BCCI records, these transactions amounted to billions of dollars a year. While it is common for banks to pass money back and forth in large amounts, these deals were unusual because BCCI was bringing money into this country from abroad to supply BNL here.

"Thus," the two senators observe, "some larger arrangement between BNL and BCCI executives must have taken place, under which BCCI agreed to place funds into the U.S. for the specific purpose of lending them short-term to BNL."

The suspicions of involvement by the United States government rest on at least four points:

- It is implausible that no American

bank regulator was aware of the lending to Iraq by BNL's Atlanta branch at a time when the sheer size of the loans was attracting notice in New York and Europe.

- After the FBI raid, the Justice Department insisted that the Atlanta branch was a rogue operation and prosecuted its manager for fraud—that is, for lending the bank's money without the knowledge of bank headquarters in Rome. But CIA reports say that the parent bank was fully aware of the lending and had authorized it. The Senate Intelligence Committee has concluded that the FBI was aware of the CIA reports at the time they were first issued. That would mean that the Justice Department was prosecuting the branch manager in Atlanta while at least some people in the department knew that the charge was false.

- BCCI, among its other violations, ille-

gally bought control of a large bank here, First American, in 1982. That became public in 1991, leading to the closing of BCCI and the prosecution of Clark Clifford and Robert Altman, who were running First American. A CIA report written in 1986 shows that the agency had known about BCCI's control of First American from the beginning. The CIA says that it distributed the report to other federal agencies including the Treasury. No one at Treasury seems to remember it.

- Throughout the 1980s various federal enforcement agencies collected literally hundreds of reports of illegal activities on the part of BCCI. According to a House Judiciary subcommittee, the Drug Enforcement Agency's files alone show 379 references to BCCI involving 134 cases going back to 1978. Despite the Reagan and Bush administrations' repeated fierce declarations of war on drugs, BCCI was not prosecuted on any drug charge until late 1988, and it was not shut down and kicked out of the country until last year.

The disclosure over the past year of many documents—especially CIA reports and BCCI papers—provides a lot of threads, but doesn't yet show a pattern to explain them. Here's one hypothesis—possible, although unproven:

From the time it took office, the Reagan administration chafed at the political and legal restrictions on foreign policy and intelligence operations and sought covert ways around them. The Iran-contra affair demonstrated that. The United States was also anxious to prevent Iraq's defeat in the long war with Iran and, after the war ended, the Bush administration continued to support the Iraqi regime for foreign policy reasons. That much is also acknowledged.

According to this hypothesis, around 1985 the United States may have leaned on a foreign government—Italy—to provide a secret conduit of heavy funding to Iraq. BCCI saw an opportunity to serve its Arab patrons by helping BNL support Iraq, at the same time ingratiating itself with the American authorities and, by doing so, buying itself a measure of immunity for its various illegal activities.

The raid that ended the Atlanta lending originated with a local tip to the local FBI office and may have taken Washington entirely by surprise.

That could explain why the American bank regulators hadn't interfered with the allegedly fraudulent lending and why the Bush administration was anxious to limit the subsequent investigation strictly to Atlanta without following the obvious leads to New York and Rome.

But that's only speculation. There's no proof. To establish what really happened and why requires a serious, sustained and determined investigation by Congress.

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